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FILE No.

DEPARTMENT OF EXTERNAL AFFAIRS.

SUBJECT.
<i>Monthly Report on Economic Conditions in CAIRO</i>

PREVIOUS FILE:	
NEXT FILE:	

RELATED PAPERS.	
FILE No.	SUBJECT.

Confidential

ECONOMIC REPORT FOR NOVEMBER-DECEMBER, 1946,
PREPARED BY THE MINISTER (COMMERCIAL) AT CAIRO

1. General Credit Position

There was an increase of £E 8 millions in the total of the note issue during October, 1946, at the end of which month it stood at £E.147,000,000. This increase is a seasonal one, coinciding with the beginning of the new cotton season, when there are considerable additional currency requirements. The total compares with £E.145,000,000, at the end of October, 1945, and with £E,117,000,000, a year earlier.

2. Stock Exchange

- (a) Share and Bond Values on Local Markets.
(Index: Banque Belge et Internationale Egypte).

	<u>Bases of comparison</u>		<u>November, 1946</u>					<u>Highest and Lowest Indices in 1946</u>	
	<u>Indices for 2.1.40.</u>	<u>Indices for 2.1.46</u>	<u>1st</u>	<u>8th</u>	<u>15th</u>	<u>22nd</u>	<u>29th</u>	<u>Highest</u>	<u>Lowest</u>
<u>State and Municipal Funds</u>	92.4	100	100.1	100.0	99.2	99.5	99.5	100.8	97.7
<u>Equities:-</u>									
5 Banks.	53.5	100	88.5	88.2	87.9	87.7	88.2	100.0	85.0
7 Public Enterprise Coys.	53.1	100	90.6	90.7	91.3	91.1	91.1	100.3	87.4
15 Land and Building Companies	33.2	100	80.0	79.6	79.2	78.8	77.5	100.0	75.0
30 Industrial Companies.	41.4	100	85.9	82.3	86.6	85.2	84.8	100.0	82.3
<u>GENERAL INDEX</u> (57 Companies)	45.3	100	86.1	86.1	85.7	85.4	85.1	100.0	82.3

Conditions on the local Bourses were quiet during the last two months of 1946 with some quotations showing a downward tendency. There was, however, an optimistic tone to the market at the close of the year.

Closing quotations at the end of December for the shares listed in the preceding report, with comparative figures for October and November, were as under:-

	31.10.46 PT.	29.11.46. PT.	31.12.46. PT.
National Loan 3½%	10640	10750	10765
N.B.E.	4290	4300	4200
Land Bank	960	945	930
Misir Bank	2292	2294	2340
Egn. Salt and Soda Co.	346	344	323
Filature Nat.D'Egy.	2350	2360	2150
Soc. Misr pour la Filature	2240	2180	2296
Anglo-Egn. Oilfields	487	480	480
Sugar Co. Fdrs.	1780	1700	1640
Wadi Kom Ombo Co.	675	604	600
Heliopolis Co. Fdrs.	7000	6824	6946
Egn. Delta Light Rlys.	822	860	870

(b) New Companies Formed

Cherif Cotton Trading Co. S.A.E.	Capital £E.100,000.
Egyptian Flax and Textile Co. S.A.E.	" £E. 50,000.
S.A.E. d'Urbanisme Pyramids Gardens (Hadaek Al-Ahram)	" £E.100,000.
Selected Textile Industries Assocn. S.A.E.	" £E. 30,000.
Middle East Trading and Cotton Co. S.A.E.	" £E. 50,000.
Commercial and Engineering Co. of Egypt and the Middle East S.A.E.	" £E. 40,000.

(c) Capital Increases

United Cold Storage Co. S.A.E.	From £E.25,000 to £E. 35,000.
Etablissements Industrielles pour la Soie et le Coton S.A.E.	From £E.5000,000 to £E.600,000.

3. Budget

(a) As previously reported.

(b) -do-

(c) Customs and excise receipts continue to show considerable expansion, the returns for the eight months from May to December, 1946, being as follows, compared with the same period of 1945.-

<u>May/Dec.1945</u>	<u>May/Dec.1946</u>	<u>Increase</u>
£E.23,481,000	£E.31,624,000	£E.8,143,000

4. Price Levels

The following table gives the wholesale prices and cost of living indices in Egypt as compared with 1939 (Basis: June/Aug. 1939 = 100) :-

	<u>Wholesale Prices</u>	<u>Cost of Living.</u>
December, 1944	330.3	292.2
December, 1945	333	290
January, 1946	332.2	290.8
February "	332	289.8
March "	329.9	287.5
April "	326.1	285.4
May "	320.4	284
June "	315.5	282.7
July "	316.2	285

5. Commercial Payments

Bills of exchange protested for non-payment in October, 1946, totalled 694, There were three bankruptcies during the same month, compared with six in October, 1945.

6. _____)
7. Clearings) No changes to report

8. Foreign Trade

(A) Total Trade (including bullion and specie).

	Jan/Oct 1945 £E	Jan/Oct 1946 £E	
Imports	47,874,000	66,652,000	+ 18,778,000
Exports and re-exports.	40,659,000	53,124,000	+ 12,465,000
Trade Balance	- 7,215,000	-13,528,000	

(B) Imports into Egypt from the principal supplying countries for the first nine months of 1946, with comparative figures for 1945, were as follows:-

	Jan/Sept. 1945 £E	Jan/Sept. 1946 £E
United Kingdom	6,797,000	17,878,000
U. S. A.	5,971,000	7,205,000
Iraq	3,907,000	3,345,000
Turkey	3,521,000	3,323,000
Italy	5,000	3,069,000
Canada	2,810,000	2,712,000
Iran	3,765,000	2,338,000
Chile	2,080,000	1,861,000
India	1,901,000	1,727,000
France	-	1,588,000
Belgium	-	1,419,000
South Africa	1,817,000	1,376,000
Norway	-	1,035,000

(C) Exports from Egypt by countries of destination for the same periods were valued as under:-

	Jan/Sept. 1945 £E	Jan/Sept. 1946 £E
United Kingdom	8,838,000	7,716,000
Italy	69,000	7,685,000
India	7,904,000	6,068,000
Ceylon	3,083,000	2,995,000
U. S. A.	2,317,000	2,431,000
France	6,997,000	3,991,000
Greece	102,000	1,697,000
Switzerland	1,000	1,347,000
Syria	867,000	996,000
Palestine	831,000	955,000

9. Customs and Excise Tariff

By decree dated the 17th October, 1946, the additional "ad valorem" duty of 7% on all imported goods was reduced to 1% in respect of imports of certain specified categories of machines and apparatus for use in local industries and agriculture.

10. Cotton

Exports of raw cotton from the beginning of the season to the 25th December, 1946, totalled 260,548 bales, compared with 113,219 bales in the corresponding period of 1945. Exports to principal countries were as under:-

	1.9.45 to 26.12.45 <u>Bales</u>	1.9.46 to 25.12.46 <u>Bales</u>
United Kingdom	62,026	73,319
India	12,868	51,161
France	9,897	8,004
Italy	1,300	46,209
Switzerland	7,223	10,275
U. S. A.	11,445	42,069

The second estimate of the 1946 cotton crop issued early in December totalled 5,839,000 cantars, compared with the first estimate of 5,993,000 (both including "Scarto" or low grade cotton).

11. Cereals etc.

The following are the Ministry of Agriculture's final estimates of the 1946 millet and maize (Seifi) crops:-

<u>Millet (Seifi)</u>	<u>Production</u> <u>Ardebs</u>
1946	3,407,000
1945	4,798,000
5-year average 1941-45	4,831,000
<u>Maize (Seifi)</u>	
1946	79,000
1945	162,000
5-year average 1941-45	191,000

First estimates of the 1946 maize (Nili), millet (Nili) and rice (Seifi and Nili) crops are as follows:-

<u>Maize (Nili)</u>	<u>Production</u> <u>Ardebs</u>
1946	10,047,000
1945	11,962,000
5-year average 1941-45	10,333,000
<u>Millet (Nili)</u>	
1946	345,000
1945	443,000
5-year average 1941-45	460,000
<u>Rice (Seifi and Nili)</u>	<u>Daribas</u>
1946	981,000
1945	917,000
5-year average 1941-45	821,000

12. General

The following measures of economic interest were enacted during the period under review:-

- (a) Ministerial Order No. 88 of 1946 exempting from import licensing procedure imports of various goods from easy currency countries in Europe, including British-occupied Germany; Belgian, Dutch and French colonies; and China and Manchuria.
- (b) Ministerial Order No. 95 of 1946 raising to £.20 the total of sterling notes which may be brought into Egypt by travellers.
- (c) Law No. 89 of 1946 constituting an Egyptian Institute of Engineers.

Note:-

1	cantar	=	45 kilogrammes	=	100 lbs approx.
1	Alexandria cotton bale	=	736 lbs nett	=	758 lbs gross
1	ardeb of maize	=	140 kilogrammes		
1	" " wheat	=	150		
1	feddan	=	1,038 acres.		

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- (c) Law No. 89 of 1946 constituting an Egyptian Institute of Engineers.

Note:-

1 cantar	= 45 kilogrammes	= 100 lbs approx.
1 Alexandria cotton bale	= 736 lbs nett	= 758 lbs gross
1 ardeb of maize	= 140 kilogrammes	
1 " " wheat	= 150 "	
1 feddan	= 1,038 acres.	

Confidential

Economic Report for October, 1946, prepared by
H.M. Minister (Commercial), Cairo

1. General Credit Position

Clearing House Figures:	August	£.E. 24,220,422
	September	" 24,808,395
	October	" 35,516,688

2. Stock Exchange

(a) The following are quotations for the ends of August, September and October:-

	30.8.46	30.9.46	30.10.46
National Loan 3 $\frac{1}{2}$ %	10,715	10,790	10,640
National Bank of Egypt	4,450	4,320	4,290
Land Bank	942	995	960
Misr Bank	2,332	2,346	2,292
Egyptian Salt & Soda	356	345	346
Filature Nationale	2,376	2,370	2,350
Soc. Misr pour la Filature	2,250	2,250	2,240
Anglo-Egyptian Oilfields	535	510	487
Sugar Co. Founders	1,886	1,800	1,780
Wadi Kom Ombo Co.	675	675	675
Heliopolis Co. Founders	6,926	7,150	7,000
Egyptian Delta Light Railways	858	846	822

(b) New Companies formed

Capital

The Alexandria Textile

£.E. 20,000

3. Budget

(a) Nothing to report.
(b) -ditto-

(c) Customs receipts continue to increase:

May 1st to Oct. 31st, 1945	May 1st to Oct. 30th 1946	Increase
£.E. 16,887,356	£.E. 23,237,215	£.E. 6,349,859

(d) Nothing to report.

4. Price Levels

No further figures issued.

5. Commercial Payments

Bills protested during September totalled 717. Bankruptcies during August, 1946 amounted to six compared with one in 1945.

6. Exchange)
7. Clearings) No change.

8. Foreign Trade. No further figures issued.

9. Customs & Excise Tariff. Nothing to report.

10. Cotton

Exports of cotton from the beginning of the season until the fourth week of October amounted to 122,107 bales, against 42,573 bales in the corresponding period of 1945. Exports to principal countries were as follows:-

	1945	1946
United Kingdom	18,859	47,984
India	-	22,869
France	9,897	3,525
Italy	1,300	26,301
U.S.A.	5,675	8,281

11. Cereals

The following statement of the cereals position has been received from the Egyptian Ministry of Commerce:-

Carry-over from 1945/46

Wheat (Ministry of Supplies)	Ardebs 956,000	
Maize & Barley " " "	" 390,000	
Millet (Growers)	" 400,000	Ardebs 1,746,000

Production 1946

Cereals	Total Production In Ardebs	Area In Feddans	Average Yield (Ardebs) Per Feddan	
Wheat	7,746,000	1,586,000	4.88	
Millet (Seifi)	3,427,000	485,000	7.06	
" (Nili)	443,000	81,000	5.49	
Maize (Seifi)	79,000	14,000	5.57	
" (Nili)	10,659,000	1,650,000	6.46	
Rice	2,888,000	630,000	4.58	Ardebs 25,242,000
				Ardebs 26,988,000
Amount required for local consumption 1946/47				" 27,305,000
Overall cereals deficit				Ardebs 317,000

The Egyptians have stated, on the basis of the foregoing, that exports of rice can only be permitted against corresponding imports of wheat or other bread grain.

12. General

Price of Gold

The sovereign fluctuated between PT.515 and PT.520 during October. This compares with PT.470 - 510 in July, 1940, and PT.565 - 600 in March.

(J. W. TAYLOR)
MINISTER (COMMERCIAL)

Note:- 1 cantar = 45 kilogrammes = 100 lbs. approx.
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12. General

Price of Gold

The sovereign fluctuated between PT.515 and PT.520 during October. This compares with PT.470 - 510 in July, 1940, and PT.565 - 600 in March.

(J. W. TAYLOR)
MINISTER (COMMERCIAL)

Note:- 1 cantar = 45 kilogrammes = 100 lbs. approx.
1 Alexandria cotton bale = 736 lbs. nett = 758 lbs. gross
1 ardeb of maize = 140 kilogrammes.
1 " " wheat = 150 "
1 feddan = 1.038 acres.

Confidential

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1. General Credit Position

The note issue remained constant being £.E.139,000,000 on September 30th, a figure identical with that at the end of July and August.

Clearing house figures for July, August and September were as follows:-

July	£.E.30,975,163
August	£.E.24,220,422
September	£.E.24,808,395

2. Stock Exchange

(a) The following are quotations for the ends of July, August and September of leading shares:-

	26.7.46	30.8.46	30.9.46
National Loan $3\frac{1}{2}\%$	10,775	10,715	10,790
National Bank of Egypt	4,300	4,450	4,320
Land Bank	930	942	995
Misr Bank	2,280	2,332	2,346
Egyptian Salt & Soda	308	356	345
Filature Nationale	2,320	2,376	2,370
Société Misr pour la Filature	2,170	2,250	2,250
Anglo-Egyptian Oilfields	536	535	510
Sugar Company Founders	1,790	1,886	1,800
Wadi Kom Ombo Company	675	675	675
Heliopolis Company Founders	6,466	6,926	7,150
Egyptian Delta Light Railways	840	858	846

The Banque Belge et Internationale en Egypte index of shares is as follows:-

	Jan. 2nd, 1940	Jan. 2nd, 1946	Sept. 27th, 1946	1946 Highest Lowest	
State & Municipal					
Loans	92.40	100	99.73	100.83	97.72
5 Credit Companies	53.50	100	89.51	99.74	84.95
7 Public Enterprise	53.05	100	91.26	100.34	87.40
15 Real Estate & Land					
Companies	33.15	100	81.73	98.98	74.97
30 Industrials	41.40	100	86.87	99.28	82.25
General index	45.25	100	87.17	99.43	82.26

(b) New Companies formed:-

	Capital £.E.
Motor Navigation Company (S.A.E.)	20,000
Alexandria Textile Company (S.A.E.)	20,000

"La Semaine Economique et Financiere" which is by local standards reliable, recently published the following figures of public subscriptions to companies in 1945 and 1946:-

	New Companies £.E.	Increases in Capital £.E.	Total £.E.
1945	1,748,364	4,074,750	5,823,114
1946	14,336,000 +	2,501,000	16,847,000

+ this figure is swollen by the Societe des Engrais (Abadi's fertiliser project - capital £.E.4,000,000 and Misr Rayon £.E.1,500,000).

3. Budget

(a) }
(b) } As previously reported.

(c) Customs receipts continued to show increases:-

May 1st - Sept. 10th, 1945 £.E.	May 1st - Sept. 10th, 1946 £.E.	Increase £.E.
2,104,612	4,211,937	2,107,325

(d) Railway receipts

Egyptian State Railways receipts from May 1st to June 30th amounted to £.E.5,339,950, a decrease of £.E.1,209,930 against the corresponding period of 1945.

4. Price Levels

No. further figures issued.

5. Commercial Payments

Bills protested during August numbered 735.

6. Exchange. }
7. Clearings. } No change.

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(a) Total trade (including bullion and specie)

	Jan.-Aug.1945 £.E.	Jan.-Aug.1946 £.E.	Increase + Decrease - £.E.
Imports	36,665,616	52,764,963	+ 16,099,347
Exports & Re-exports	35,763,320	41,428,424	
Trade Balances	- 902,296	- 11,336,539	

(b) Imports from the principal supplying countries were as follows during the first seven months of 1946 as compared with the corresponding period of 1945:-

	Jan.-July, 1945 £.E.	Jan.-July, 1946 £.E.
United Kingdom	5,511,275	14,212,010
U.S.A.	4,273,781	5,903,490
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Turkey	2,790,886	2,569,180
Chile	1,197,030	1,540,789
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South Africa	1,453,775	1,274,238
Italy	3,001	1,785,376
Total	32,035,233	46,630,496

(c) Exports by countries for the same periods were valued as follows:-

	Jan.-July, 1945 £.E.	Jan.-July, 1946 £.E.
United Kingdom	6,757,402	5,025,105
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<u>Total</u>	<u>28,525,930</u>	<u>31,767,305</u>

9. Customs & Excise Tariff

An export duty of £.E.2.500 per 100 nett kilogrammes has been imposed on the export of sugar, whether refined or other.

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Government buying prices for 1946-47 are to be those of the year 1944-45, a reduction of 10% against 1945-46.

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Reports from all over Egypt suggest the likelihood of damage to growing crops during the winter as the result of the high water table caused by the high Nile flood this year. Actual damage from flooding appears, however, to have been kept down to the 30,000 tons of millet (mentioned in the report for July-August), certain quantities of cotton and to miscellaneous items, particularly vegetables, grown along the banks of the Nile between the river and the embankments.

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Nile Flood

The high flood passed off without serious damage in Egypt. Control measures appear to have been well handled in Egypt, but there is little doubt that the extensive flooding which occurred in the Sudan relieved the situation in Egypt.

The Egyptian authorities were faced with the choice of (a) holding an unheard of volume of water behind the Aswan dam or (b) large scale flooding of basin land with a loss of up to 3,000,000 ardebs of grain (3,000,000 ardebs = about 470,000 tons, or about 10% of the total Egyptian annual consumption of cereals). Choice (b) would in present conditions of world food shortage have meant famine conditions in Egypt. It must be borne in mind that the average Egyptian diet probably does not exceed 2,250 calories per day, and is claimed by many authorities to be less, while cereals comprise about three quarters of this diet.

In the event, therefore, the Egyptian Minister for Public Works decided on choice (a). Water behind the dam reached a level of over 117 feet against a maximum for any time of the year of 121. But during this flood the velocity of water passing through the dam reached a speed of about 30 times that of normal river flow in non-flood periods, thus subjecting the dam to very great strain. It will be appreciated that the decision which the Minister took required great courage. He obtained incidentally the concurrence of Sir Murdoch Macdonald before taking this decision.

Unemployment

No reliable or comprehensive figures are in existence, but the Egyptian Ministry of Social Affairs have estimated that there are now 200,000 unemployed urban workers. This estimate is almost certain to be low, and the factors causing unemployment continue i.e. dismissal of workers by the British Army and reduction of industrial employment resulting from imports.

Rural Standard of Living

The Egyptian cabinet have decided to try out all their various schemes for social welfare in one particular district as a form of experiment. The area chosen is the Markaz (or district) of Menouf in the Delta. The plan is to include an agricultural unit (experimental farm, stud poultry farm, nursery, seed examination centre) a health unit, with two doctors: a school to teach the three R's and rural trades, and a social centre.

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CONFIDENTIAL

DEPARTMENT OF
EXTERNAL AFFAIRS

9 SEP 1946

Cambridge

Economic Report for June, 1946, prepared by the First Secretary (Commercial) to His Majesty's Embassy at Cairo

1. General Credit Position

The note issue is now steadily declining from the peak of £ E.148,000,000 reached in December, 1945. At the end of June, 1946, it stood at £ E.139,000,000, which compares with £ E.129,000,000 for June, 1945 and £ E.104,800,000 for June, 1944.

Banking clearing house figures for the quarter ending 30th June, compared with the same quarter of 1945, were as under :-

	<u>April/June, 1946</u>	<u>April/June, 1945</u>
	£.E	£.E
April	30,757,633	30,964,815
May	32,543,151	30,191,555
June	26,920,883	30,014,458
	<u>90,221,667</u>	<u>91,170,828</u>

2., Stock Exchanges

(a) Share and Bond Values on Local Markets

(Index : Banque Belge et Internationale en Egypte).

	Bases of Indices for 2.1.40	comparison Indices for 2.1.46	June, 1946				Highest & Lowest Indices in 1946	
			7th	14th	21st	28th	Highest	Lowest
<u>State & Muni- cipal Funds</u>	92.4	100	97.7	99.8	99.6	98.6	100.8	97.7
<u>Equities :-</u>								
5 Banks	53.5	100	85.0	87.3	89.0	88.9	99.7	85.0
7 Public Enterprise Coys.	53.1	100	87.4	90.0	90.1	88.9	100.3	87.4
15 Land & Bldg. Companies	33.2	100	75.0	77.3	76.8	77.2	99.0	75.0
30 Industrial Companies	41.4	100	82.3	83.4	83.8	83.0	99.3	82.3
<u>GENERAL INDEX (57 Companies)</u>	45.3	100	82.3	84.1	84.7	84.3	99.4	82.3

After several months of almost complete stagnation, there was a burst of activity on the local Bourses between the 11th and 20th June, due more to the reaction after a long spell of inactivity than to any economic factor. Quotations for State funds and some bank and industrial shares rose considerably above the fixed minimum prices. Thereafter, prices again declined and the market for the remainder of the month was once more lacking in movement. Some part of the gains recorded were, however, retained and the market is no longer completely anchored to the fixed minimum levels.

Closing quotations at the end of June for the shares listed in the preceding report were as follows, compared with the quotations for the 31st May:-

	31.5.46 PT.	28.6.46 PT.
National Loan $\frac{3}{4}\%$	10755 *	10650
National Bank of Egypt	4354 *	4350
Land Bank	935 *	908
Misr Bank	2262 *	2158
Egyptian Salt & Soda Coy.	359 *	341 *
Filature Nationale d'Egypte	2154 *	2216
Soc. Misr pour la Filature	2134 *	2032
Anglo-Egyptian Oilfields	518 *	493
Sugar Coy. Founders	1600 *	1590
Wadi Kom Ombo Coy.	710 *	675 *
Heliopolis Coy. Founders	6072 *	5870
Egyptian Delta Light Railways	805 *	770

* Minimum rates (which were reduced on the 3rd June, 1946 by 2% for Government bonds and by 5% for other shares).

(b) New companies formed

Les Nouveaux Hotels d'Egypte, S.A.E.	Capital	£ E. 100,000
United Storage, Navigation & Commercial Co., S.A.E.	"	" 60,000
Zagaziz Cotton & Oil Co., S.A.E.	"	" 12,000
Associated Industries, S.A.E.	"	" 75,000
Anglo-Egyptian Soap & Edible Products S.A.E.	"	" 10,000
United Enterprises, S.A.E.	"	" 200,000
Studios Al Ahram, S.A.E.	"	" 220,000
Egyptian Sisal Manufacturing Coy. S.A.E.	"	" 100,000

(c) Capital increases

Soc. Misr pour l'Industrie Pharmaceutique, S.A.E.	From £ E. 30,000 to £ E. 45,000
Soc. Anon. du Domaine de Siouf	" " 250,000 " " 350,000
Comptoir Egyptien d'Importation et d'Exportation, S.A.E.	" " 10,000 " " 15,000
Delta Trading Co., S.A.E.	" " 500,000 " " 750,000
Josy Film S.A.E.	" " 35,000 " " 50,000

3. Budget

(a) The Minister of Finance introduced the revised budget for 1946/47 in the Chamber of Deputies on the 25th June. The final figures as ratified by Parliament were as follows :-

Expenditure	£ E. 103,503,100
Revenue	" 97,394,000
Deficit (+)	" 6,109,100

(+) Represents the cost of works to be carried out under the Five-Year Plan during the first year, to be taken from the General Reserve Fund.

(b) As previously reported.

(c) Customs and excise receipts showed a further substantial rise during June, the returns for the first two months of the new financial year being as follows, compared with those for the corresponding period last year :-

May/June, 1945 £ E.	May/June, 1946 £ E.	Increase £ E.
5,321,000	7,255,000	1,934,000

4. Price Levels

The following table gives the index numbers of wholesale prices of 26 principal commodities in Cairo and Alexandria markets (1913/1914 = 100) :-

Month	Cairo			Alexandria		
	1944	1945	1946	1944	1945	1946
January	253	300	256.3	244.5	295.5	248.4
February	255	293.5	254.8	249	287.6	251.1
March	255	292.4	250.2	253.5	287	246.9
April	255	267.6	244.3	255	268.7	240.3

There was again a slight fall in the index numbers of wholesale prices and cost of living in April, 1946, as compared with 1939. (Basis : June/August 1939 = 100) :-

	<u>Wholesale Prices</u>	<u>Cost of Living</u>
December 1944	330.3	292.2
December 1945	333	290
January 1946	332.2	290.8
February 1946	332	289.8
March 1946	329.9	287.5
April 1946	326.1	285.4

5. Commercial Payments

Bills of exchange protested for non-payment during April totalled 595.

- | | | |
|-------------------------|---|-----------------------|
| 6. <u>Exchange</u> | } | No changes to report. |
| 7. <u>Clearings</u> | | |
| 8. <u>Foreign Trade</u> | | |

(A) Total Trade (excluding bullion and specie).

	Jan./May 1945 £ E.	Jan./May 1946 £ E.	
Imports	22,256,000	33,145,000	+ 10,889,000
Exports & Re-exports	17,289,000	21,950,000	+ 4,661,000
Trade Balance	- 4,967,000	- 11,195,000	

(B) Imports from the principal supplying countries for the first three months of 1946, compared with 1945 were as follows :-

	<u>Jan./March, 1945</u> £ E.	<u>Jan./March, 1946</u> £ E.
United Kingdom	2,179,000	5,452,000
U. S. A.	1,645,000	2,784,000
Canada	752,000	1,952,000
Iraq	1,175,000	1,191,000
Turkey	1,259,000	1,099,000
Chile	-	1,010,000
Iran	1,456,000	888,000

(c) Exports by countries for the same periods were valued as under :-

	Jan./March, 1945	Jan./March, 1946
	£.E.	£.E.
India	2,197,000	2,209,000
Ceylon	320,000	1,433,000
United Kingdom	2,713,000	1,325,000
Italy	-	1,286,000

9. Customs and Excise Tariff

No changes to report.

10. Cotton

About 80,000 bales of raw cotton were shipped during the month of June, principally to Italy, France, the United Kingdom and India. Exports by countries for the first ten months of the season, with comparative figures for 1944-45, were as follows :-

1.9.44 to 4.7.45 Bales	Country	1.9.45 to 3.7.46 Bales	Inc. (+) or Dec. (-) in 1945-46 Bales
225,612	United Kingdom	136,253	- 89,359
135,821	India	70,375	- 65,446
5,795	Australia	2,865	- 2,930
7,202	Belgium	6,074	- 1,128
-	Canada	100	+ 100
-	China	4,975	+ 4,975
32,069	France	54,424	+ 22,355
-	Holland	853	+ 853
111	Italy	65,599	+ 65,488
1,198	Palestine	2,824	+ 1,626
5,530	Portugal	1,505	- 4,025
-	Sweden	1,482	+ 1,482
-	Switzerland	19,177	+ 19,177
4,800	Syria	4,749	- 51
17,925	U.S.A.	33,820	+ 15,895
-	Other Countries	18,899	+ 18,899
436,063	Total	423,974	- 12,089

The Ministry of Agriculture estimate the area under cotton in 1946 at 1,211,348 feddans, compared with 982,435 feddans in 1945.

For the 1947 season, the Minister of Agriculture informed the Embassy confidentially that the Government had decided on the following acreages for different types of cotton :-

Karnak 100,000 feddans
Menoufi, Giza 30 & Giza 7 240,000 "

All the foregoing in the North Delta.

Zagora 500,000 feddans, in the Southern Delta
Ashmouni 300,000 " " Upper Egypt.

This means that there will be about 340,000 feddans of long staple and about 800,000 feddans of short staple cotton next year. The Minister stated that this is practically a reversal of the 1946 position.

As regards prices, the Minister said that no decision had yet been taken regarding the Government's proposed minimum buying prices for the 1946 crop. He mentioned in confidence, however, that a reduction of 15% in the buying price for Karnak was under consideration. He himself was, he said, in favour of a larger reduction.

11. Cereals

The first official estimate of the 1945-46 wheat and barley crops was issued on the 30th June and is as under :-

	<u>Acreage</u> <u>Feddans</u>	<u>Yield per</u> <u>Feddan</u>	<u>Total</u> <u>crop</u>
		<u>Ardebs</u>	<u>Ardebs</u>
<u>Wheat</u>			
1945-46	1,585,997	4.88	7,746,000
1944-45	1,646,930	4.79	7,881,000
Average for 5 years			
1941-45	1,658,826	4.67	7,740,000
<u>Barley</u>			
1945-46	244,825	6.02	1,474,000
1944-45	358,613	6.08	2,180,000
Average for 5 years			
1941-45	337,167	6.38	2,150,000

The wheat crop is, as expected, smaller than that of last year. The barley crop is disappointing and it must be assumed that the drop in acreage of over 100,000 feddans was due to cultivators planting cotton instead of barley.

12. Other Matters

Five Year Plan

It is reported that this has now been approved by the Chamber of Deputies and the cost of the first year's work on the Plan totalling £.E.6,109,100 has been added to the 1946-47 Budget.

Sterling Balances

In his Note introducing the 1946-47 Budget, the Prime Minister (who was also at that time Minister of Finance) reported that the recent census showed that the total of these at the 31st December, 1945 was £.E.440,000,000, of which £.E.250,000,000 was in British Treasury Bonds and Bills, £.E.5,000,000 in British securities and £.E.185,000,000 in current accounts and credits.

Labour

Following the recent strikes which occurred amongst Egyptian Government servants, including school teachers, engineers, etc., it is reported that a bill imposing heavy penalties on civil servants or Government employees who go on strike has been approved by the Cabinet and will be submitted to Parliament.

(W. S. LAVER)

Acting First Secretary (Commercial).

Note:-

1 cantar = 45 kilogrammes	= 100 lbs. approx.
1 Alexandria cotton bale	= 736 lbs. nett = 758 lbs. gross
1 ardeb of maize	= 140 kilogrammes
1 " " wheat	= 150 "
1 feddan	= 1.038 acres.

CONFIDENTIAL

Economic Report for June, 1946, prepared by the First Secretary (Commercial) to His Majesty's Embassy at Cairo

1. General Credit Position

The note issue is now steadily declining from the peak of £ E.148,000,000 reached in December, 1945. At the end of June, 1946, it stood at £ E.139,000,000, which compares with £ E.129,000,000 for June, 1945 and £ E.104,800,000 for June, 1944.

Banking clearing house figures for the quarter ending 30th June, compared with the same quarter of 1945, were as under :-

	April/June, 1946	April/June, 1945
	£.E	£.E
April	30,757,633	30,964,815
May	32,543,151	30,191,555
June	26,920,883	30,014,458
	90,221,667	91,170,828

2., Stock Exchanges

(a) Share and Bond Values on Local Markets
(Index : Banque Belge et Internationale en Egypte).

	Bases of Indices for 2.1.40	comparison Indices for 2.1.46	June, 1946				Highest & Lowest Indices in 1946	
			7th	14th	21st	28th	Highest	Lowest
<u>State & Municipal Funds</u>	92.4	100	97.7	99.8	99.6	98.6	100.8	97.7
<u>Equities :-</u>								
5 Banks	53.5	100	85.0	87.3	89.0	88.9	99.7	85.0
7 Public Enterprise Coys.	53.1	100	87.4	90.0	90.1	88.9	100.3	87.4
15 Land & Bldg. Companies	33.2	100	75.0	77.3	76.8	77.2	99.0	75.0
30 Industrial Companies	41.4	100	82.3	83.4	83.8	83.0	99.3	82.3
<u>GENERAL INDEX</u> (57 Companies)	45.3	100	82.3	84.1	84.7	84.3	99.4	82.3

After several months of almost complete stagnation, there was a burst of activity on the local Bourses between the 11th and 20th June, due more to the reaction after a long spell of inactivity than to any economic factor. Quotations for State funds and some bank and industrial shares rose considerably above the fixed minimum prices. Thereafter, prices again declined and the market for the remainder of the month was once more lacking in movement. Some part of the gains recorded were, however, retained and the market is no longer completely anchored to the fixed minimum levels.

Closing quotations at the end of June for the shares listed in the preceding report were as follows, compared with the quotations for the 31st May:-

	<u>31.5.46</u>	<u>28.6.46</u>
	PT.	PT.
National Loan $3\frac{1}{4}\%$	10755 *	10650
National Bank of Egypt	4354 *	4350
Land Bank	935 *	908
Misr Bank	2262 *	2158
Egyptian Salt & Soda Coy.	359 *	341 *
Filature Nationale d'Egypte	2154 *	2216
Soc. Misr pour la Filature	2134 *	2032
Anglo-Egyptian Oilfields	518 *	493
Sugar Coy. Founders	1600 *	1590
Wadi Kom Ombo Coy.	710 *	675 *
Heliopolis Coy. Founders	6072 *	5870
Egyptian Delta Light Railways	805 *	770

* Minimum rates (which were reduced on the 3rd June, 1946 by 2% for Government bonds and by 5% for other shares).

(b) New companies formed

Les Nouveaux Hotels d'Egypte, S.A.E.	Capital	£ E.100,000
United Storage; Navigation & Commercial Co., S.A.E.	"	" 60,000
Zagaziz Cotton & Oil Co., S.A.E.	"	" 12,000
Associated Industries, S.A.E.	"	" 75,000
Anglo-Egyptian Soap & Edible Products S.A.E.	"	" 10,000
United Enterprises, S.A.E.	"	" 200,000
Studios Al Ahram, S.A.E.	"	" 220,000
Egyptian Sisal Manufacturing Coy. S.A.E.	"	" 100,000

(c) Capital increases

Soc. Misr pour l'Industrie Pharmaceutique, S.A.E.	From £ E.30,000 to £ E.45,000
Soc. Anon. du Domaine de Siouf	" " 250,000 " " 350,000
Comptoir Egyptien d'Importation et d'Exportation, S.A.E.	" " 10,000 " " 15,000
Delta Trading Co., S.A.E.	" " 500,000 " " 750,000
Josy Film S.A.E.	" " 35,000 " " 50,000

3. Budget

(a) The Minister of Finance introduced the revised budget for 1946/47 in the Chamber of Deputies on the 25th June. The final figures as ratified by Parliament were as follows :-

Expenditure	£ E.103,503,100
Revenue	" 97,394,000
Deficit (+)	" 6,109,100

(+) Represents the cost of works to be carried out under the Five-Year Plan during the first year, to be taken from the General Reserve Fund.

(b) As previously reported.

(c) Customs and excise receipts showed a further substantial rise during June, the returns for the first two months of the new financial year being as follows, compared with those for the corresponding period last year :-

<u>May/June, 1945</u>	<u>May/June, 1946</u>	<u>Increase</u>
£ E.	£ E.	£ E.
5,321,000	7,255,000	1,934,000

4. Price Levels

The following table gives the index numbers of wholesale prices of 26 principal commodities in Cairo and Alexandria markets (1913/1914 = 100) :-

Month	Cairo			Alexandria		
	1944	1945	1946	1944	1945	1946
January	253	300	256.3	244.5	295.5	248.4
February	255	293.5	254.8	249	287.6	251.1
March	255	292.4	250.2	253.5	287	246.9
April	255	267.6	244.3	255	268.7	240.3

There was again a slight fall in the index numbers of wholesale prices and cost of living in April, 1946, as compared with 1939. (Basis : June/August 1939 = 100) :-

	<u>Wholesale Prices</u>	<u>Cost of Living</u>
December 1944	330.3	292.2
December 1945	333	290
January 1946	332.2	290.8
February 1946	332	289.8
March 1946	329.9	287.5
April 1946	326.1	285.4

5. Commercial Payments

Bills of exchange protested for non-payment during April totalled 595.

- | | | |
|-------------------------|---|-----------------------|
| 6. <u>Exchange</u> | } | No changes to report. |
| 7. <u>Clearings</u> | | |
| 8. <u>Foreign Trade</u> | | |

(A) Total Trade (excluding bullion and specie).

	Jan./May 1945 £ E.	Jan./May 1946 £ E.	
Imports	22,256,000	33,145,000	+ 10,889,000
Exports & Re-exports	17,289,000	21,950,000	+ 4,661,000
Trade Balance	- 4,967,000	- 11,195,000	

(B) Imports from the principal supplying countries for the first three months of 1946, compared with 1945 were as follows :-

	<u>Jan./March, 1945</u> £ E.	<u>Jan./March, 1946</u> £ E.
United Kingdom	2,179,000	5,452,000
U. S. A.	1,645,000	2,784,000
Canada	752,000	1,952,000
Iraq	1,175,000	1,191,000
Turkey	1,259,000	1,099,000
Chile	-	1,010,000
Iran	1,456,000	888,000

(c) Exports by countries for the same periods were valued as under :-

	Jan./March, 1945	Jan./March, 1946
	£.E.	£.E.
India	2,197,000	2,209,000
Ceylon	320,000	1,433,000
United Kingdom	2,713,000	1,325,000
Italy	-	1,286,000

9. Customs and Excise Tariff

No changes to report.

10. Cotton

About 80,000 bales of raw cotton were shipped during the month of June, principally to Italy, France, the United Kingdom and India. Exports by countries for the first ten months of the season, with comparative figures for 1944-45, were as follows :-

1.9.44 to 4.7.45 Bales	Country	1.9.45 to 3.7.46 Bales	Inc. (+) or Dec. (-) in 1945-46 Bales
225,612	United Kingdom	136,253	- 89,359
135,821	India	70,375	- 65,446
5,795	Australia	2,865	- 2,930
7,202	Belgium	6,074	- 1,128
-	Canada	100	+ 100
-	China	4,975	+ 4,975
32,069	France	54,424	+ 22,355
-	Holland	853	+ 853
111	Italy	65,599	+ 65,488
1,198	Palestine	2,824	+ 1,626
5,530	Portugal	1,505	- 4,025
-	Sweden	1,482	+ 1,482
-	Switzerland	19,177	+ 19,177
4,800	Syria	4,749	- 51
17,925	U.S.A.	33,820	+ 15,895
-	Other Countries	18,899	+ 18,899
436,063	Total	423,974	- 12,089

The Ministry of Agriculture estimate the area under cotton in 1946 at 1,211,348 feddans, compared with 982,435 feddans in 1945.

For the 1947 season, the Minister of Agriculture informed the Embassy confidentially that the Government had decided on the following acreages for different types of cotton :-

Karnak 100,000 feddans
Menoufi, Giza 30 & Giza 7 240,000 "

All the foregoing in the North Delta.

Zagora 500,000 feddans, in the Southern Delta
Ashmouni 300,000 " " Upper Egypt.

This means that there will be about 340,000 feddans of long staple and about 800,000 feddans of short staple cotton next year. The Minister stated that this is practically a reversal of the 1946 position.

As regards prices, the Minister said that no decision had yet been taken regarding the Government's proposed minimum buying prices for the 1946 crop. He mentioned in confidence, however, that a reduction of 15% in the buying price for Karnak was under consideration. He himself was, he said, in favour of a larger reduction.

11. Cereals

The first official estimate of the 1945-46 wheat and barley crops was issued on the 30th June and is as under :-

	<u>Acreage</u> <u>Feddans</u>	<u>Yield per</u> <u>Feddan</u>	<u>Total</u> <u>crop</u>
		<u>Ardebs</u>	<u>Ardebs</u>
<u>Wheat</u>			
1945-46	1,585,997	4.88	7,746,000
1944-45	1,646,930	4.79	7,881,000
Average for 5 years			
1941-45	1,658,826	4.67	7,740,000
<u>Barley</u>			
1945-46	244,825	6.02	1,474,000
1944-45	358,613	6.08	2,180,000
Average for 5 years			
1941-45	337,167	6.38	2,150,000

The wheat crop is, as expected, smaller than that of last year. The barley crop is disappointing and it must be assumed that the drop in acreage of over 100,000 feddans was due to cultivators planting cotton instead of barley.

12. Other Matters

Five Year Plan

It is reported that this has now been approved by the Chamber of Deputies and the cost of the first year's work on the Plan totalling £.E.6,109,100 has been added to the 1946-47 Budget.

Sterling Balances

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Labour

Following the recent strikes which occurred amongst Egyptian Government servants, including school teachers, engineers, etc., it is reported that a bill imposing heavy penalties on civil servants or Government employees who go on strike has been approved by the Cabinet and will be submitted to Parliament.

(W. S. LAVER)

Acting First Secretary (Commercial).

Note:-

1 cantar = 45 kilogrammes	= 100 lbs. approx.
1 Alexandria cotton bale	= 736 lbs. nett = 758 lbs. gross
1 ardeb of maize	= 140 kilogrammes
1 " " wheat	= 150 "
1 feddan	= 1.038 acres.

CONFIDENTIAL

Economic Report for the month of May, 1946,
prepared by the First Secretary (Commercial) to H.M. Embassy at Cairo

1. General Credit Position

There was a further decline in the total of the note issue during March at the end of which month it stood at £E.144 millions. This compares with £E.125 millions at the end of March, 1945 and with £E.102.7 millions a year earlier.

2. Stock Exchanges

(a) Share and Bond Values on Local Markets
(Index: Banque Belge et Internationale en Egypte)

	Bases of comparison		April 1946				Highest & Lowest Indices in 1946	
	Indices for 2.1.40	Indices for 2.1.46	5th	12th	18th	26th	Highest	Lowest
State and Municipal Funds	92.4	100	102.1	101.0	99.8	100.0	100.8	99.8
<u>Equities:</u>								
5 Banks	53.5	100	92.6	90.3	89.4	89.4	99.7	89.4
7 Public Enterprise Coys.	53.1	100	95.0	92.7	91.6	92.1	100.3	91.6
15 Land & Building Coys.	33.2	100	82.7	80.9	80.6	81.3	99.0	80.6
30 Industrial Companies	41.4	100	89.0	87.2	87.1	87.5	99.3	87.1
GENERAL INDEX (57 Companies)	45.3	100	89.6	87.6	87.1	87.4	99.4	87.1

The minimum rates for shares fixed by the Government on the 28th March remained in force throughout May resulting in an almost complete lack of activity on the local Bourses. On the 3rd June, the minimum rates were reduced by 2% for Government bonds and 5% for other shares. Contrary to expectations, a limited firmness then developed in some sections of the market.

Closing quotations at the end of May for the shares listed in the preceding report were as follows, compared with the quotations for the 30th April:-

	30.4.46 P.T.	31.5.46 P.T.
National Loan 3½%	10,755 *	10,755 *
National Bank of Egypt	4,354 *	4,354 *
Land Bank	940	935 *
Misr Bank	2,284	2,262 *
Egyptian Salt & Soda Co.	359 *	359 *
Filature Nationale d'Egypte	2,230	2,154 *
Soc. Misr pour la Filature	2,164	2,134 *
Anglo-Egyptian Oilfields	521	518 *
Sugar Company Federations	1,774	1,600 *
Wadi Kom Ombo Co.	710 *	710 *
Heliopolis Co. Federations	6,550	6,072 *
Egyptian Delta Light Railways	818	805

* Minimum rates.

(b) New Companies formed

Société Al Chark pour la Filature et le Tissage, S.A.E.
Capital £E.300,000.
The Cotton Spinning, Weaving & Dyeing Co, "Karnak" S.A.E.
Capital £E.175,000.
Société Misr pour la Rayonne, S.A.E.
Capital £E.1,500,000.
Egyptian Shipping Company S.A.E.
Capital £E.400,000.
Orient Linen Industry, S.A.E.
Capital £E.250,000.
Grand Magasins Chemla, S.A.E.
Capital £E.400,000.
Zeitoun Canning & Food Co. S.A.E.
Capital £E.75,000.
Société d'échanges Commerciaux, S.A.E.
Capital £E.13,000.
Fayoum Textile Company, S.A.E.
Capital £E.400,000.
Société Generale de Placement Financière et Industriel, S.A.E.
Capital £E.100,000.
Société Orientale du Cinema, S.A.E.
Capital £E.250,000.

(c) Capital Increases

Etablissements Industrielles pour la Soie et le Coton, S.A.E.
From £E.400,000 to £E.500,000.
Société Indus. "Spahi" des Filles et Textiles, S.A.E.
From £E.250,000 to £E.500,000.
Les Fils Islam Pasha, S.A.E.
From £E.50,000 to £E.100,000.
Fabriques Islam Pasha pour le Tissage, Teinture et Minoterie, S.A.E.
From £E.75,000 to £E.100,000.
Tractor & Engineering Co. (Incorporating Mosseri, Curiel & Co.)
From £E.200,000 to £E.600,000.

3. Budget

(a) As previously reported.

(b) Provisional figures of Government revenue and expenditure for the full financial year 1945/46, with comparative figures for 1944/45, are as under:-

	<u>1944/45</u>	<u>1945/46</u>
	£E.	£E.
Revenue	87,000,000	101,307,000
Expenditure	79,905,000	97,681,000
Supplementary Expenditure	5,055,000	1,334,000

(c) Customs and excise receipts continue to rise, due mainly to the large influx of goods during the past six months but also to a certain extent to recent changes in customs and excise duties. Receipts for the full financial year 1945/46, and for the first month of the new financial year, with comparative figures, are given below:-

<u>1944/45</u>	<u>1945/46</u>	<u>Increase</u>
£E.29,413,000	£E.35,851,000	£E.6,438,000
<u>May, 1945</u>	<u>May, 1946</u>	
£E.2,405,000	£E.3,360,000	£E.955,000

4. Price Levels

There was a slight fall in both the wholesale prices and cost of living indices in March as compared with the two preceding months. The following table shows the variations in the indices since 1939 (Basis: June/August, 1939 = 100).

	<u>Wholesale Prices</u>	<u>Cost of Living</u>
September 1939	109	103
December 1940	143	122
December 1941	182.5	156
December 1942	251	215
December 1943	292.7	257.2
December 1944	330.3	292.2
December 1945	333	290
January 1946	332.2	290.8
February 1946	332.	289.8
March 1946	329.9	287.5

5. Commercial Payments

The number of bills of exchange protested for non-payment rose to 549 in February and to 603 in March, compared with an average of about 400 per month during 1945.

- | | | |
|---------------------|---|-----------------------|
| 6. <u>Exchange</u> | } | No changes to report. |
| 7. <u>Clearings</u> | | |

8. Foreign Trade

(a) Total Trade (excluding bullion and specie).

	Jan/April 1945 £E.	Jan/April 1945 £E.	
Imports	18,001,000	26,898,000	+ 8,897,000
Exports and Re-exports	13,539,000	16,345,000	+ 2,806,000
Trade Balance	-4,462,000	- 10,553,000	

(b) and (c) No details of Egypt's foreign trade for the period in question by countries of origin or destination are yet available.

9. Customs and Excise Tariff

The rate of the municipal tax at Port Said on imported goods was raised by Ministerial Order dated the 16th April with effect from publication in the "Journal Officiel" of the 25th April, from 1.25% "ad valorem" to 2% "ad valorem".

Reports are current that the Egyptian Government are studying the question of further increases in the general import tariff on manufactured goods and of reductions in the tariff on raw materials and machinery with a view to giving additional protection to locally manufactured goods.

10. Cotton

The improvement in the volume of exports of raw cotton continues and some 53,000 bales were shipped during May. Exports by countries for the first nine months of the season, with comparative figures for 1944/45, were as under:-

1.9.1944 to 30.5.1945 bales	Country	1.9.1945 to 29.5.1946 Bales	Inc. (+) or Dec. (-) in 1945/46 Bales
206,916	United Kingdom	124,854	- 82,062
115,131	India	60,964	- 54,167
5,791	Australia	2,865	- 2,926
-	Belgium	5,514	+ 5,514
-	Canada	100	+ 100
-	China	4,625	+ 4,625
13,386	France	29,349	+ 15,963
-	Holland	33	+ 33
111	Italy	43,555	+ 43,444
1,101	Palestine	2,624	+ 1,523
2,668	Portugal	1,505	- 1,163
-	Sweden	1,312	+ 1,312
-	Switzerland	16,239	+ 19,239
1,000	Syria	4,249	+ 3,249
2,260	U.S.A.	30,426	+ 28,166
-	Other countries	14,210	+ 14,210
348,360	TOTAL	342,424	- 5,936

The Government's £E.30 million cotton loan, authorised under Law No. 41 of 1946, to finance its purchases from the 1945 crop was launched successfully during May. £E.20 millions of the total was allotted to the big financial institutions and the remaining £E.10 millions was offered for public subscription on the 20th May. The latter portion of the loan was over-subscribed within three hours on the day of the issue. The Loan bears interest at 2½%.

According to the press, the Minister of Agriculture announced on the 30th May that there would again be no increase in the area under cotton next season. Owing to the abundant stocks of "Karnak" cotton, the cultivation of this variety would be restricted in favour of "Zagora" and the necessary legislation to this effect would be presented to Parliament before the close of the present session.

The third estimate of the 1945 crop amounts to 5,220,975 cantars, including "Scarto" (low grade) cotton, showing a slight reduction on the previous estimates.

Four missions are being sent to various parts of the world by the Egyptian Government to study the possibilities for the sale of Egyptian cotton.

11. Cereals etc.

The Egyptian Government, as a contribution towards alleviating the present world cereals crisis, have offered to supply 47,000 tons of millet from current stocks. India has now bought 20,000 tons and may buy more. U.N.R.R.A. cannot at present buy for lack of funds.

Reports regarding the Egyptian wheat crop now being harvested are favourable, although it is expected that the total out-turn will be a little below that of last year.

The Minister of Agriculture, in the speech referred to above, is also reported to have said that talks were proceeding between Egypt and the supply authorities for an increase of fertilizer imports so that more cereals might be grown. It was hoped, if possible, he said, to double the present import figures of about 300,000 tons per annum. Information as to the Egyptian programme for 1946/47 is awaited.

12. Other matters

Five Year Plan

The Prime Minister announced in the Chamber of Deputies on the 13th May that Egypt's five-year plan for reconstruction and social reform would start without waiting for the 1946/47 budget to be passed. He stated that a bill opening a credit of £E.26,000,000 to be drawn from the general reserve fund was now under consideration and that the sum of £E.5,610,000 required for the first year's work under the plan had been included in the new budget. The Prime Minister suggested that as the examination of the budget would take at least two months, this credit for the first year should be passed at once, as unemployment was increasing from day to day. The proposal was referred to the Finance Committee for study and report.

Company Law

The Minister of Commerce and Industry, in consultation with the Minister of Justice, has now produced a revised draft Company Law, a translation of which has been communicated to the British Embassy and to the British Chamber of Commerce, and is being studied. The legal adviser to the Chamber is of the opinion that this draft should be supported, if necessary, without amendment as it reaches a high standard and has only one discriminatory provision. The draft has now been presented to Parliament.

Labour

The problem of unemployment in Egypt, following the dismissal of large numbers of workmen previously employed by the British and American Forces and the reduction of staffs by many local industrial firms due to the cessation of military orders and to the large imports of foreign goods now coming into the country, is rapidly assuming serious proportions. Reliable statistics of unemployment do not exist but it was recently estimated that there are probably about 100,000 workers unemployed in the urban districts. Various suggestions have been put forward as relief measures, such as the shortening of working hours to permit of more shifts being worked; the hastening of work on the five-year plan; a money grant to all unemployed and the provision of free meals. The Egyptian Federation of Industries is also understood to be pressing for increased protection of local industry. Other suggestions put forward by the Federation include the provision of a "Social Security Fund" from receipts during the war years from the Excess Profits Tax; the rapid execution of public works under the five-year plan; various measures to encourage the building industry, such as the import duty free for a period of one year of building materials, exemption of new buildings from the building tax for five years, revision of the law limiting house rents, and the raising of the building line in urban districts from 15 to 25 metres; the abolition of import duties on the principal raw materials, machinery, fuel and lubricants used in industry; relief from tax arrears; abolition of the Excess Profits Tax; the conclusion of preferential commercial agreements with neighbouring countries; the reduction of railway freight rates; and the strict application of labour legislation. In this latter connection, the Federation draws attention to the dangers of the suggested reduction in working hours.

Commercial Relations

By Decrees dated the 22nd May, 1946, the provisional most-favoured-nation commercial conventions concluded between Egypt and H.M. Government in the United Kingdom and Northern Ireland and between Egypt and the Government of Eire in 1930, were extended for a further period of one year ending on the 16th February, 1947.

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<u>Equities:</u>								
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National Bank of Egypt	4,354 *	4,354 *
Land Bank	940	935 *
Misr Bank	2,284	2,262 *
Egyptian Salt & Soda Co.	359 *	359 *
Filature Nationale d'Egypte	2,230	2,154 *
Soc. Misr pour la Filature	2,164	2,134 *
Anglo-Egyptian Oilfields	521	518 *
Sugar Company Federations	1,774	1,600 *
Wadi Kom Ombo Co.	710 *	710 *
Heliopolis Co. Federations	6,550	6,072 *
Egyptian Delta Light Railways	818	805

* Minimum rates.

(b) New Companies formed

Société Al Chark pour la Filature et le Tissage, S.A.E.
Capital £E. 300,000.
The Cotton Spinning, Weaving & Dyeing Co, "Karnak" S.A.E.
Capital £E. 175,000.
Société Misr pour la Rayonne, S.A.E.
Capital £E. 1,500,000.
Egyptian Shipping Company S.A.E.
Capital £E. 400,000.
Orient Linen Industry, S.A.E.
Capital £E. 250,000.
Grand Magasins Chemla, S.A.E.
Capital £E. 400,000.
Zeitoun Canning & Food Co. S.A.E.
Capital £E. 75,000.
Société d'échanges Commerciaux, S.A.E.
Capital £E. 13,000.
Fayoum Textile Company, S.A.E.
Capital £E. 400,000.
Société Generale de Placement Financière et Industriel, S.A.E.
Capital £E. 100,000.
Société Orientale du Cinema, S.A.E.
Capital £E. 250,000.

(c) Capital Increases

Etablissements Industrielles pour la Soie et le Coton, S.A.E.
From £E. 400,000 to £E. 500,000.
Société Indus. "Spahi" des Filles et Textiles, S.A.E.
From £E. 250,000 to £E. 500,000.
Les Fils Islam Pasha, S.A.E.
From £E. 50,000 to £E. 100,000.
Fabriques Islam Pasha pour le Tissage, Teinture et Minoterie, S.A.E.
From £E. 75,000 to £E. 100,000.
Tractor & Engineering Co. (Incorporating Mosseri, Curiel & Co.)
From £E. 200,000 to £E. 600,000.

3. Budget

(a) As previously reported.

(b) Provisional figures of Government revenue and expenditure for the full financial year 1945/46, with comparative figures for 1944/45, are as under:-

	<u>1944/45</u>	<u>1945/46</u>
	£E.	£E.
Revenue	87,000,000	101,307,000
Expenditure	79,905,000	97,684,000
Supplementary Expenditure	5,055,000	1,334,000

(c) Customs and excise receipts continue to rise, due mainly to the large influx of goods during the past six months but also to a certain extent to recent changes in customs and excise duties. Receipts for the full financial year 1945/46, and for the first month of the new financial year, with comparative figures, are given below:-

<u>1944/45</u>	<u>1945/46</u>	<u>Increase</u>
£E. 29,413,000	£E. 35,851,000	£E. 6,438,000
<u>May, 1945</u>	<u>May, 1946</u>	
£E. 2,405,000	£E. 3,360,000	£E. 955,000

4. Price Levels

There was a slight fall in both the wholesale prices and cost of living indices in March as compared with the two preceding months. The following table shows the variations in the indices since 1939 (Basis: June/August, 1939 = 100).

	<u>Wholesale Prices</u>	<u>Cost of Living</u>
September 1939	109	103
December 1940	143	122
December 1941	182.5	156
December 1942	251	215
December 1943	292.7	257.2
December 1944	330.3	292.2
December 1945	333	290
January 1946	332.2	290.8
February 1946	332.	289.8
March 1946	329.9	287.5

5. Commercial Payments

The number of bills of exchange protested for non-payment rose to 549 in February and to 603 in March, compared with an average of about 400 per month during 1945.

- | | | |
|-------------------------|---|-----------------------|
| 6. <u>Exchange</u> | } | No changes to report. |
| 7. <u>Clearings</u> | | |
| 8. <u>Foreign Trade</u> | | |

(a) Total Trade (excluding bullion and specie).

	Jan/April 1945 £E.	Jan/April 1945 £E.	
Imports	18,001,000	26,898,000	+ 8,897,000
Exports and Re-exports	13,539,000	16,345,000	+ 2,806,000
Trade Balance	-4,462,000	- 10,553,000	

(b) and (c) No details of Egypt's foreign trade for the period in question by countries of origin or destination are yet available.

9. Customs and Excise Tariff

The rate of the municipal tax at Port Said on imported goods was raised by Ministerial Order dated the 16th April with effect from publication in the "Journal Officiel" of the 25th April, from 1.25% "ad valorem" to 2% "ad valorem".

Reports are current that the Egyptian Government are studying the question of further increases in the general import tariff on manufactured goods and of reductions in the tariff on raw materials and machinery with a view to giving additional protection to locally manufactured goods.

10. Cotton

The improvement in the volume of exports of raw cotton continues and some 53,000 bales were shipped during May. Exports by countries for the first nine months of the season, with comparative figures for 1944/45, were as under:-

1.9.1944 to 30.5.1945 bales	Country	1.9.1945 to 29.5.1946 Bales	Inc. (+) or Dec. (-) in 1945/46 Bales
206,916	United Kingdom	124,854	- 82,062
115,131	India	60,964	- 54,167
5,791	Australia	2,865	- 2,926
-	Belgium	5,514	+ 5,514
-	Canada	100	+ 100
-	China	4,625	+ 4,625
13,386	France	29,349	+ 15,963
-	Holland	33	+ 33
111	Italy	43,555	+ 43,444
1,101	Palestine	2,624	+ 1,523
2,668	Portugal	1,505	- 1,163
-	Sweden	1,312	+ 1,312
-	Switzerland	16,239	+ 19,239
1,000	Syria	4,249	+ 3,249
2,260	U.S.A.	30,426	+ 28,166
-	Other countries	14,210	+ 14,210
348,360	TOTAL	342,424	- 5,936

The Government's £E.30 million cotton loan, authorised under Law No. 41 of 1946, to finance its purchases from the 1945 crop was launched successfully during May. £E.20 millions of the total was allotted to the big financial institutions and the remaining £E.10 millions was offered for public subscription on the 20th May. The latter portion of the loan was over-subscribed within three hours on the day of the issue. The Loan bears interest at 2½%.

According to the press, the Minister of Agriculture announced on the 30th May that there would again be no increase in the area under cotton next season. Owing to the abundant stocks of "Karnak" cotton, the cultivation of this variety would be restricted in favour of "Zagora" and the necessary legislation to this effect would be presented to Parliament before the close of the present session.

The third estimate of the 1945 crop amounts to 5,220,975 cantars, including "Scarto" (low grade) cotton, showing a slight reduction on the previous estimates.

Four missions are being sent to various parts of the world by the Egyptian Government to study the possibilities for the sale of Egyptian cotton.

11. Cereals etc.

The Egyptian Government, as a contribution towards alleviating the present world cereals crisis, have offered to supply 47,000 tons of millet from current stocks. India has now bought 20,000 tons and may buy more. U.N.R.R.A. cannot at present buy for lack of funds.

Reports regarding the Egyptian wheat crop now being harvested are favourable, although it is expected that the total out-turn will be a little below that of last year.

The Minister of Agriculture, in the speech referred to above, is also reported to have said that talks were proceeding between Egypt and the supply authorities for an increase of fertilizer imports so that more cereals might be grown. It was hoped, if possible, he said, to double the present import figures of about 300,000 tons per annum. Information as to the Egyptian programme for 1946/47 is awaited.

12. Other matters

Five Year Plan

The Prime Minister announced in the Chamber of Deputies on the 13th May that Egypt's five-year plan for reconstruction and social reform would start without waiting for the 1946/47 budget to be passed. He stated that a bill opening a credit of £E.26,000,000 to be drawn from the general reserve fund was now under consideration and that the sum of £E.5,610,000 required for the first year's work under the plan had been included in the new budget. The Prime Minister suggested that as the examination of the budget would take at least two months, this credit for the first year should be passed at once, as unemployment was increasing from day to day. The proposal was referred to the Finance Committee for study and report.

Company Law

The Minister of Commerce and Industry, in consultation with the Minister of Justice, has now produced a revised draft Company Law, a translation of which has been communicated to the British Embassy and to the British Chamber of Commerce, and is being studied. The legal adviser to the Chamber is of the opinion that this draft should be supported, if necessary, without amendment as it reaches a high standard and has only one discriminatory provision. The draft has now been presented to Parliament.

Labour

The problem of unemployment in Egypt, following the dismissal of large numbers of workmen previously employed by the British and American Forces and the reduction of staffs by many local industrial firms due to the cessation of military orders and to the large imports of foreign goods now coming into the country, is rapidly assuming serious proportions. Reliable statistics of unemployment do not exist but it was recently estimated that there are probably about 100,000 workers unemployed in the urban districts. Various suggestions have been put forward as relief measures, such as the shortening of working hours to permit of more shifts being worked; the hastening of work on the five-year plan; a money grant to all unemployed and the provision of free meals. The Egyptian Federation of Industries is also understood to be pressing for increased protection of local industry. Other suggestions put forward by the Federation include the provision of a "Social Security Fund" from receipts during the war years from the Excess Profits Tax; the rapid execution of public works under the five-year plan; various measures to encourage the building industry, such as the import duty free for a period of one year of building materials, exemption of new buildings from the building tax for five years, revision of the law limiting house rents, and the raising of the building line in urban districts from 15 to 25 metres; the abolition of import duties on the principal raw materials, machinery, fuel and lubricants used in industry; relief from tax arrears; abolition of the Excess Profits Tax; the conclusion of preferential commercial agreements with neighbouring countries; the reduction of railway freight rates; and the strict application of labour legislation. In this latter connection, the Federation draws attention to the dangers of the suggested reduction in working hours.

Commercial Relations

By Decrees dated the 22nd May, 1946, the provisional most-favoured-nation commercial conventions concluded between Egypt and H.M. Government in the United Kingdom and Northern Ireland and between Egypt and the Government of Eire in 1930, were extended for a further period of one year ending on the 16th February, 1947.

29 MAR 1946

CONFIDENTIAL

Economic Report for the months of March and April, 1946, prepared by the First Secretary (Commercial) to the British Embassy at Cairo.

1. General Credit Position

The total of the note issue declined by LE.2 millions in January, 1946 to LE.146 millions and by a further LE.1 million in February to LE.145 millions. This compares with LE.123 millions at the end of February, 1945 and LE.102.7 millions at the end of February, 1944.

The banking Clearing House movement for the first quarter of 1946, compared with the same period of 1945, was as follows:-

<u>1st Quarter 1945</u>	<u>1st Quarter 1946</u>
LE.88.855,000	LE.116,962,000

2. Stock Exchanges

(a) Share and Bond Values on Local Markets
(Index: Banque Belge et Inter. en Egypte)

Bases of Comparison Indices for:-		March, 1946					Highest & Lowest Indices for 1946		
2.1.1940	2.1.1946	1st	8th	15th	22nd	29th	Highest	Lowest	
State & Municip: Funds	92.4	100	101.9	102.4	102.3	102.4	102.1	100.8	100.0
<u>Equities:-</u>									
5 Banks	53.5	100	96.1	94.9	94.3	93.7	93.0	99.7	93.0
7 Public Enterprise Cos.	53.1	100	100.1	98.3	95.5	95.5	98.1	100.3	95.5
15 Land & Bldg. Cos.	33.2	100	92.6	87.3	87.5	84.4	83.5	99.0	83.5
30 Indus- trial Cos.	41.4	100	93.2	90.8	91.0	89.7	89.7	99.3	89.7
GENERAL INDEX (57 Companies)	45.3	100	94.7	92.2	91.8	90.5	90.4	99.4	90.4

The riots which occurred in Cairo and Alexandria in February and the general tension which they caused to the public resulted in a slump on the local Bourses, accentuating the decline which has been in evidence since the beginning of the year. It was announced by the Bourse Commissions on the 26th March that, with a view to protecting the public's savings and to avoid constant fluctuations in the market, minimum prices would be fixed, based on the closing quotations for the previous day. These minimum prices, with slight variations, are still in force.

Closing quotations on the 30th April, 1946 for the shares listed in the preceding report were as follows, compared with the quotations at the end of February and March:-

	<u>28.2.46</u>	<u>29.3.46</u>	<u>30.4.46</u>
	PT.	PT.	PT.
National Loan 3 $\frac{1}{2}$ %	11005	11030 *	10755 *
National Bank of Egypt	4710	4490 *	4354 *
Land Bank	1016	1008 *	940
Misr Bank	2570	2436	2284
Egyptian Salt & Soda Co.	379	370 *	359 *
Filature Nationale d'Egypte	2312	2260	2230
Soc. Misr. pour la Filature etc.	2384	2218	2164
Anglo-Egyptian Oilfields	545	538	521
Sugar Co. Federations	2200	1796	1774
Wadi Kom Ombo Co.	810	732 *	710 *
Heliopolis Co. Federations	7576	6430	6550
Egyptian Delta Light Railways	852	830 *	818

* Minimum rates

(b) New Companies Formed

Import & Export Bank of Egypt, S.A.E.
 Authorised capital £E.300,000.
 Farghaly Cotton & Investment Co., S.A.E.
 Authorised capital £E.2,000,000.
 Egyptian Rubber & Shoes Industry, S.A.E.
 Authorised capital £E.120,000.
 Société Agricole et Fermière "Fermag" S.A.E.
 Authorised capital £E.250,000.
 General Chemical Industries Co. "CIC" S.A.E.
 Authorised capital £E.80,000.
 Alexandria Cotton Trading Co. S.A.E.
 Authorised capital £E.150,000.

(c) Capital Increases

"Al-Ahram" S.A.E. From £E.80,000 to £E.400,000.
 Ammoniac & Chemical Co. S.A.E. From £E.18,000 to £E.76,500.
 Food Products, S.A.E. From £E.100,000 to £E.160,000.
 Electricity & Ice Supply Co. S.A.E. From £E.67,120 to £E.88,000.
 Clothing & Equipment Co. of Egypt, S.A.E. From £E.51,000 to £E.200,000.
 Comptoir Commercial Economique S.A.E. From £E.5,000 to £E.205,000.
 Alexandria Glass & Porcelain Factory S.A.E. From £E.10,000 to £E.30,000.
 Nile Works Co. S.A.E. From £E.30,000 to £E.50,000.
 Société Egyptienne de Tuyaux, Poteaux et Produits en Ciments
 Arme "System Siegwart" S.A.E. From £E.125,000 to £E.200,000.
 Near East Pharmaceutical & Commercial Co. S.A.E. From £E.10,000 to £E.50,000.
 Eastern Automobiles Supplies & Transport Co. S.A.E. From £E.40,000 to £E.80,000.

7. Budget

- (a) A Ministry of Finance Order No. 30 of the 30th April provides for the temporary application of the 1945/46 budget to 1946/47, pending Parliamentary sanction of the new budget.

- (b) Provisional figures of Government revenue and expenditure for the first eleven months of the financial years 1944/45 and 1945/46 are as under:-

	May 1944/ March 1945	May 1945/ March 1946
	££.	££.
Revenue	77,691,000	89,923,000
Expenditure	59,335,000	66,891,000
Supplementary expenditure	1,204,000	1,208,000

- (c) Customs and excise receipts for the same periods were as follows:-

May 1944/March 1945	May 1945/March 1946	Increase
££. 26,465,000	££. 31,814,000	££. 5,349,000

4. Price Levels

The latest statistics of wholesale prices and cost of living indices for the first two months of 1946, as published in the Press, show practically no change from those for December, 1945. The following table shows the variations in the indices since 1939 (Basis: June/August 1939 = 100):-

	Wholesale Prices	Cost of Living
September, 1939	109	103
December, 1940	143	122
December, 1941	182.5	156
December, 1942	251	215
December, 1943	292.7	257.2
December, 1944	330.3	292.2
December, 1945	333	290
January, 1946	332	290
February, 1946	332	290

5. Commerical Payments

There is noticeable nervousness on the market generally as traders fear a fall in prices. Banks report a number of cases of refusal to take up documents, although so far only in relatively small consignments.

6.) Exchange and Clearings

7.) No changes to report.

8. Foreign Trade

- (A) Total Trade (excluding bullion and specie).

	Jan./Feb. 1945 ££.	Jan./Feb. 1946 ££.	
Imports	6,485,000	13,170,000	+ 6,685,000
Exports and Re-exports	5,873,000	7,760,000	+ 1,887,000
Trade Balance	- 612,000	- 5,410,000	

- (B) and (C) Details of imports and exports for January and February, 1946 by countries are not yet available.

9. Customs and Excise Tariff

Three decrees were issued on the 8th April modifying certain customs and excise duties. The first increased the "ad valorem" duty on all imported goods from 5% to 7% with effect from the 1st May, 1946. The second provided for increases, mainly small, in the excise or consumption duties on practically all goods subjected to such duties. The third provided for a small increase in the import duties on tobacco, cigars and cigarettes. It has been reported that these changes in duty are intended to compensate for the loss of revenue which would have occurred when the "additional duty" of 10% of the customs duties payable came to an end on the 30th April, 1946.

10. Cotton

Shipments of cotton have shown considerable improvement during the past two months, when about 112,000 bales were exported. The following table gives details of exports by countries for the first eight months of the seasons 1944/45 and 1945/46:-

1.9.1944 to 2.5.1945 Bales	Country	1.9.1945 to 1.5.1946 Bales	Inc. (+) or Dec. (-) in 1945/46 Bales
188,744	United Kingdom	111,979	- 76,765
98,531	India	49,579	- 48,952
5,795	Australia	2,865	- 2,930
-	Belgium	3,991	+ 3,991
-	Canada	100	+ 100
-	China	1,800	+ 1,800
10,093	France	25,199	+ 15,106
111	Italy	33,802	+ 33,691
1,038	Palestine	2,561	+ 1,523
2,668	Portugal	1,505	- 1,163
-	Sweden	1,312	+ 1,312
-	Switzerland	15,356	+ 15,356
-	Syria	3,974	+ 3,974
-	U.S.A.	25,451	+ 25,451
-	Other countries	9,420	+ 9,420
306,980	TOTAL	288,894	- 18,086

11. Cereals, etc.

The following are the final estimates of the 1945 crops of maize, millet, rice and oil seeds, showing in brackets the comparative figures for 1944:-

Maize (Nili)	11,962,000 ardebs	(10,911,000)
Millet (Nili)	443,000 "	(366,000)
Rice (Seifi & Nili)	917,000 daribas	(862,000)
Ground nuts	250,000 ardebs	(267,000)
Sesame	95,000 "	(112,000)

The areas under wheat, barley, beans and lentils for the 1945/46 season are estimated as under (1944/45 areas in brackets):-

Wheat	1,586,035 feddans	(1,646,930)
Barley	244,787 "	(358,613)
Beans	380,685 "	(392,358)
Lentils	77,764 "	(74,949)

The wheat now coming in is reported to have suffered recently from rust and to a lesser extent from a rain and hail storm. The crop is now expected to be less than that of last year.

12. Other Matters

(a) Under the terms of a decree which came into force on the 21st March, the restrictions imposed under sections 2 and 4 of Art. 5 of Decree-Law No. 103 of 1945 concerning the status of ex-enemy countries were raised so far as concerns Italian subjects, and other subjects desirous of entering into business relations with them. As regards Italian property in Egypt, this is to remain under sequestration under the terms of section 1 of Art. 5 of the Decree Law 103 of 1945.

(b) Since the bomb outrage at the Miami Cinema in Cairo on the 10th March at the end of the showing of a British film, there had been a complete cessation of bookings of both British feature films and British official news reels. Representations on the subject were made by H.M. Ambassador to the Egyptian Prime Minister. Recently the position shows slight improvement and one British film (an old booking) has been put on at one of Alexandria's leading cinemas and some cinemas have resumed showing British newsreels (minus, however, any indications that they are British).

(c) Considerable interest has been shown in Egypt in the possibility of the extension of the Saudi Arabian oil pipe-lines to one of the Egyptian ports. The Egyptian Prime Minister has been reported as saying that negotiations on this subject between Egypt and Saudi Arabia would start soon. It is further understood that representatives in Egypt of the U.S.A. oil interests concerned favour the idea of a line to Egypt. The Director of the Egyptian Petroleum Department is at present in the U.S.A. to discuss the question. Hafez Afifi Pasha, Egyptian delegate to the Security Council, is also understood to be discussing this matter in the U.S.A.

(d) The Anglo-Egyptian Oilfields Ltd. were reported to have made a new strike of oil early in March on the Western coast of Sinai.

(e) A Belgian Economic Mission recently visited Egypt to contact official and commercial quarters with a view to developing trade between the two countries. The Mission proceeded to the Levant States at the conclusion of its visit.

(f) Preparations are understood to be fairly advanced for the formation of a company to be known as the Arab Company for Finance, Trade and Industry, S.A.E. to promote economic relations between Arab-speaking countries. The original capital is to be £E.500,000 and the principal promoter of the company in Hassan Nashaat Pasha, former Egyptian Ambassador in London.

(g) An extension of the Anglo-Egyptian Hard Currency Agreement for a further period of one year ending on the 31st March, 1947, has been negotiated with the Egyptian Government.

(h) The second Middle East Engineering Conference was held in Cairo in April and was attended by engineers from all the Arab States of the Middle East. The first Egyptian Economic Conference was also held during the same month.

(i) The Company Law bill sponsored by Ata Afify Bey, governing the operations of Egyptian limited liability companies, was the subject of a lively debate in the Chamber of Deputies on the 9th April. The Minister of Commerce and Industry is opposed to the Bill and in spite of considerable opposition, the Prime Minister and he were finally able to obtain the postponement of the question to enable him to submit a larger company bill to be prepared by the Administration. He states that he is preparing a new bill.

(j) The English Electric Co. Ltd. have secured, against international competition an order for the supply of nineteen complete diesel electric trains for the Egyptian State Railways, the total value of which is £E.1,500,000. This follows a previous order placed last year with the same firm by the E.S.R. for twenty-seven diesel-electric locomotives.

(k) The Egyptian Parliament has approved the opening of a credit of £E.4,000,000 for the improvement of the rolling stock etc. of the E.S.R.

(l) The formation of a new company, styled "Egyptian Chemical Industries, S.A.E." has been announced to carry out the project which has hitherto been known as the Delta Nitrate Scheme, the principal object of which is the establishment in the Delta area of an artificial fertilizer factory with a capacity of 200,000 to 300,000 tons annually. The capital of the company is fixed at £E.4,000,000, of which the founders have subscribed £E.2,200,000. The balance of £E.1,800,000 has been offered for subscription by the public.

(m) Tenders for the long-deferred Aswan dam hydro-electric project were called for during March for adjudication in July next.

(n) Under Law No. 25 of 1946 the Minister of Agriculture has been authorised to grant a concession to the "Société des Engrais AL-Chark" for the manufacture of organic manures from Cairo refuse under the "Piganobico" system. The concession is to run for 30 years.

(o) A fairly wide range of consumer goods have recently been removed from the list of articles subject to price control. Restrictions on the prices of meals in restaurants and on alcoholic beverages have also been removed.

Erratum

Under para. 1. General Credit Position, of the Report for February, 1946, the total of the note issue on the 31st December, 1945, should read "£E.148,000,000".

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<u>Equities:-</u>									
5 Banks	53.5	100	96.1	94.9	94.3	93.7	93.0	99.7	93.0
7 Public Enterprise Cos.	53.1	100	100.1	98.3	95.5	95.5	98.1	100.3	95.5
15 Land & Bldg. Cos.	33.2	100	92.6	87.3	87.5	84.4	83.5	99.0	83.5
30 Indus- trial Cos.	41.4	100	93.2	90.8	91.0	89.7	89.7	99.3	89.7
GENERAL INDEX (57 Companies)									
45.3	100	94.7	92.2	91.8	90.5	90.4	99.4	90.4	

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	PT.	PT.	PT.
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 Authorised capital £E.300,000.
 Farghaly Cotton & Investment Co., S.A.E.
 Authorised capital £E.2,000,000.
 Egyptian Rubber & Shoes Industry, S.A.E.
 Authorised capital £E.120,000.
 Société Agricole et Fermière "Fermag" S.A.E.
 Authorised capital £E.250,000.
 General Chemical Industries Co. "CIO" S.A.E.
 Authorised capital £E.80,000.
 Alexandria Cotton Trading Co. S.A.E.
 Authorised capital £E.150,000.

(c) Capital Increases

"Al-Ahram" S.A.E. From £E.80,000 to £E.400,000.
 Ammoniac & Chemical Co. S.A.E. From £E.18,000 to £E.76,500.
 Food Products, S.A.E. From £E.100,000 to £E.160,000.
 Electricity & Ice Supply Co. S.A.E. From £E.67,120 to £E.88,000.
 Clothing & Equipment Co. of Egypt, S.A.E. From £E.51,000 to £E.200,000.
 Comptoir Commercial Economique S.A.E. From £E.5,000 to £E.205,000.
 Alexandria Glass & Porcelain Factory S.A.E. From £E.10,000 to £E.30,000.
 Nile Works Co. S.A.E. From £E.30,000 to £E.50,000.
 Société Egyptienne de Tuyaux, Poteaux et Produits en Ciments
 Arme "System Siegwart" S.A.E. From £E.125,000 to £E.200,000.
 Near East Pharmaceutical & Commercial Co. S.A.E. From £E.10,000 to £E.50,000.
 Eastern Automobiles Supplies & Transport Co. S.A.E. From £E.40,000 to £E.80,000.

7. Budget

- (a) A Ministry of Finance Order No. 30 of the 30th April provides for the temporary application of the 1945/46 budget to 1946/47, pending Parliamentary sanction of the new budget.

- (b) Provisional figures of Government revenue and expenditure for the first eleven months of the financial years 1944/45 and 1945/46 are as under:-

	May 1944/ March 1945	May 1945/ March 1946
	££.	££.
Revenue	77,691,000	89,923,000
Expenditure	59,335,000	66,891,000
Supplementary expenditure	1,204,000	1,208,000

- (c) Customs and excise receipts for the same periods were as follows:-

May 1944/March 1945	May 1945/March 1946	Increase
££.26,465,000	££.31,814,000	££.5,349,000

4. Price Levels

The latest statistics of wholesale prices and cost of living indices for the first two months of 1946, as published in the Press, show practically no change from those for December, 1945. The following table shows the variations in the indices since 1939 (Basis: June/August 1939 = 100):-

	Wholesale Prices	Cost of Living
September, 1939	109	103
December, 1940	143	122
December, 1941	182.5	156
December, 1942	251	215
December, 1943	292.7	257.2
December, 1944	330.3	292.2
December, 1945	333	290
January, 1946	332	290
February, 1946	332	290

5. Commerical Payments

There is noticeable nervousness on the market generally as traders fear a fall in prices. Banks report a number of cases of refusal to take up documents, although so far only in relatively small consignments.

6. } Exchange and Clearings

7. } No changes to report.

8. Foreign Trade

- (A) Total Trade (excluding bullion and specie).

	Jan./Feb. 1945 ££.	Jan./Feb. 1946 ££.	
Imports	6,485,000	13,170,000	+ 6,685,000
Exports and Re-exports	5,873,000	7,760,000	+ 1,887,000
Trade Balance	- 612,000	- 5,410,000	

- (B) and (C) Details of imports and exports for January and February, 1946 by countries are not yet available.

9. Customs and Excise Tariff

Three decrees were issued on the 8th April modifying certain customs and excise duties. The first increased the "ad valorem" duty on all imported goods from 5% to 7% with effect from the 1st May, 1946. The second provided for increases, mainly small, in the excise or consumption duties on practically all goods subjected to such duties. The third provided for a small increase in the import duties on tobacco, cigars and cigarettes. It has been reported that these changes in duty are intended to compensate for the loss of revenue which would have occurred when the "additional duty" of 10% of the customs duties payable came to an end on the 30th April, 1946.

10. Cotton

Shipments of cotton have shown considerable improvement during the past two months, when about 112,000 bales were exported. The following table gives details of exports by countries for the first eight months of the seasons 1944/45 and 1945/46:-

1.9.1944 to 2.5.1945 Bales	Country	1.9.1945 to 1.5.1946 Bales	Inc. (+) or Dec. (-) in 1945/46 Bales
188,744	United Kingdom	111,979	- 76,765
98,531	India	49,579	- 48,952
5,795	Australia	2,865	- 2,930
-	Belgium	3,991	+ 3,991
-	Canada	100	+ 100
-	China	1,800	+ 1,800
10,093	France	25,199	+ 15,106
111	Italy	33,802	+ 33,691
1,038	Palestine	2,561	+ 1,523
2,668	Portugal	1,505	- 1,163
-	Sweden	1,312	+ 1,312
-	Switzerland	15,356	+ 15,356
-	Syria	3,974	+ 3,974
-	U.S.A.	25,451	+ 25,451
-	Other countries	9,420	+ 9,420
306,980	TOTAL	288,894	- 18,086

11. Cereals, etc.

The following are the final estimates of the 1945 crops of maize, millet, rice and oil seeds, showing in brackets the comparative figures for 1944:-

Maize (Nili)	11,962,000 ardebs	(10,911,000)
Millet (Nili)	443,000 "	(366,000)
Rice (Seifi & Nili)	917,000 daribas	(862,000)
Ground nuts	250,000 ardebs	(267,000)
Sesame	95,000 "	(112,000)

The areas under wheat, barley, beans and lentils for the 1945/46 season are estimated as under (1944/45 areas in brackets):-

Wheat	1,586,035 feddans	(1,646,930)
Barley	244,787 "	(358,613)
Beans	380,685 "	(392,358)
Lentils	77,764 "	(74,949)

The wheat now coming in is reported to have suffered recently from rust and to a lesser extent from a rain and hail storm. The crop is now expected to be less than that of last year.

12. Other Matters

(a) Under the terms of a decree which came into force on the 21st March, the restrictions imposed under sections 2 and 4 of Art. 5 of Decree-Law No. 103 of 1945 concerning the status of ex-enemy countries were raised so far as concerns Italian subjects, and other subjects desirous of entering into business relations with them. As regards Italian property in Egypt, this is to remain under sequestration under the terms of section 1 of Art. 5 of the Decree Law 103 of 1945.

(b) Since the bomb outrage at the Miami Cinema in Cairo on the 10th March at the end of the showing of a British film, there had been a complete cessation of bookings of both British feature films and British official news reels. Representations on the subject were made by H.M. Ambassador to the Egyptian Prime Minister. Recently the position shows slight improvement and one British film (an old booking) has been put on at one of Alexandria's leading cinemas and some cinemas have resumed showing British newsreels (minus, however, any indications that they are British).

- (c) Considerable interest has been shown in Egypt in the possibility of the extension of the Saudi Arabian oil pipe-lines to one of the Egyptian ports. The Egyptian Prime Minister has been reported as saying that negotiations on this subject between Egypt and Saudi Arabia would start soon. It is further understood that representatives in Egypt of the U.S.A. oil interests concerned favour the idea of a line to Egypt. The Director of the Egyptian Petroleum Department is at present in the U.S.A. to discuss the question. Hafez Afifi Pasha, Egyptian delegate to the Security Council, is also understood to be discussing this matter in the U.S.A.
- (d) The Anglo-Egyptian Oilfields Ltd. were reported to have made a new strike of oil early in March on the Western coast of Sinai.
- (e) A Belgian Economic Mission recently visited Egypt to contact official and commercial quarters with a view to developing trade between the two countries. The Mission proceeded to the Levant States at the conclusion of its visit.
- (f) Preparations are understood to be fairly advanced for the formation of a company to be known as the Arab Company for Finance, Trade and Industry, S.A.E. to promote economic relations between Arab-speaking countries. The original capital is to be £E.500,000 and the principal promoter of the company in Hassan Nashaat Pasha, former Egyptian Ambassador in London.
- (g) An extension of the Anglo-Egyptian Hard Currency Agreement for a further period of one year ending on the 31st March, 1947, has been negotiated with the Egyptian Government.
- (h) The second Middle East Engineering Conference was held in Cairo in April and was attended by engineers from all the Arab States of the Middle East. The first Egyptian Economic Conference was also held during the same month.
- (i) The Company Law bill sponsored by Ata Afify Bey, governing the operations of Egyptian limited liability companies, was the subject of a lively debate in the Chamber of Deputies on the 9th April. The Minister of Commerce and Industry is opposed to the Bill and in spite of considerable opposition, the Prime Minister and he were finally able to obtain the postponement of the question to enable him to submit a larger company bill to be prepared by the Administration. He states that he is preparing a new bill.
- (j) The English Electric Co. Ltd. have secured, against international competition an order for the supply of nineteen complete diesel electric trains for the Egyptian State Railways, the total value of which is £E.1,500,000. This follows a previous order placed last year with the same firm by the E.S.R. for twenty-seven diesel-electric locomotives.
- (k) The Egyptian Parliament has approved the opening of a credit of £E.4,000,000 for the improvement of the rolling stock etc. of the E.S.R.
- (l) The formation of a new company, styled "Egyptian Chemical Industries, S.A.E." has been announced to carry out the project which has hitherto been known as the Delta Nitrate Scheme, the principal object of which is the establishment in the Delta area of an artificial fertilizer factory with a capacity of 200,000 to 300,000 tons annually. The capital of the company is fixed at £E.4,000,000, of which the founders have subscribed £E.2,200,000. The balance of £E.1,800,000 has been offered for subscription by the public.
- (m) Tenders for the long-deferred Aswan dam hydro-electric project were called for during March for adjudication in July next.
- (n) Under Law No. 25 of 1946 the Minister of Agriculture has been authorised to grant a concession to the "Société des Engrais Al-Chark" for the manufacture of organic manures from Cairo refuse under the "Piganobico" system. The concession is to run for 30 years.
- (o) A fairly wide range of consumer goods have recently been removed from the list of articles subject to price control. Restrictions on the prices of meals in restaurants and on alcoholic beverages have also been removed.

Erratum

Under para. 1. General Credit Position, of the Report for February, 1946, the total of the note issue on the 31st December, 1945, should read "£E.148,000,000".

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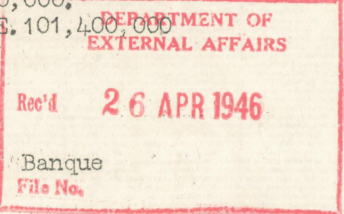
Economic Report for February, 1946, prepared by the Acting First Secretary (Commercial) to H.M. Embassy at Cairo.

1. General Credit Position

An additional rise of £E.500,000 in the Note Issue during December 1945 brought the total at the end of the year to £E.145,000,000. This compares with £E.122,000,000 at the end of 1944 and £E.101,400,000 at the end of 1943.

2. Stock Exchanges

(a) Share and Bond Values on Local Markets. (Index: Banque Belge et Internationale en Egypte).



	Bases of Comparison		January 1946				Highest & Lowest Indices in 1946	
	2.1.40.	2.1.46.	4th	11th	18th	25th	Highest	Lowest
State & Municipal Funds	92.4	100	100.1	100.4	100.7	100.8	100.8	100
Equities:-								
Five Banks	53.5	100	99.7	98.8	98.5	98.2	99.7	98.2
Seven Public Enterprise Cos.	53.1	100	99.9	100.3	99.5	98.5	100.3	98.5
Fifteen Land & Building Cos.	33.2	100	99.0	97.8	95.3	92.9	99.0	92.9
Thirty Industrial Cos.	41.4	100	99.3	98.0	96.3	94.1	99.3	94.1
General Index	45.3	100	99.4	98.5	97.1	95.6	99.4	95.6

Owing to the uncertainty of the political situation, conditions on the local stock exchanges were generally unfavourable during February, and apart from the National Loan $3\frac{1}{4}\%$ which continued to rise, quotations were in the main lower.

The New Prime Minister, in his capacity as Minister of Finance, delegated the Under Secretary for Finance to make a statement at the Cairo Stock Exchange before it opened on the 26th February. He said that he had learned that there were many rumours about the political situation and he wished to assure business circles that everything possible would be done to maintain peace and order. There was no cause for anxiety; the economic and financial interests of the country would be protected.

Closing quotations for the shares listed in the previous report were as follows compared with the end of January figures:-

	31.1.1946 PT.	28.2.1946 PT.
National Loan $3\frac{1}{4}\%$	10,990	11,005
National Bank of Egypt	4,790	4,710
Misr Bank	2,590	2,570
Filature Nationale d'Egypte	2,330	2,312
Soc. Misr pour la Filature etc.	2,550	2,384
Anglo-Egyptian Oilfields	580	545
Sugar Co. Federations	2,060	2,200

2. (b) New Companies formed

Transport & Engineering Co. S.A.E.
Capital £E. 50,000.

(c) Capital Increases

Nile Textile Co. S.A.E. Capital increased from £E. 200,000 to £E400,000.

It is also reported that the capital of Egyptian Hotels Ltd. is to be increased.

3. Budget

(a) As previously reported.

(b) Provisional figures of Government revenue and expenditure for the first nine months of the financial years 1944/45 and 1945/46 are as follows:-

	May 1944/ Jan. 1945 £E.	May 1945/ Jan. 1946 £E.
Revenue	60,918,000	72,308,000
Expenditure	45,978,000	54,145,000
Supplementary Expenditure	1,204,000	945,000

(c) Customs and Excise receipts for the ten months May 1945/February 1946 totalled £E. 28,842,000 compared with £E. 23,681,000 in the corresponding period of 1944/45, an increase of £E. 5,161,000

4. Price Levels

As previously reported.

5. Commercial Payments

The number of bills protested for non-payment has shown a tendency to rise in recent months.

6. Exchange)
7. Clearings) No changes to report.

8. Foreign Trade

(a) Total Trade (excluding bullion and specie)

	January 1945 £E.	January 1946 £E.	
Imports	3,405,000	7,735,000	+4,330,000
Exports & Re-Exports	2,071,000	3,218,000	+1,147,000
Trade Balance	-1,334,000	- 4,517,000	

Details of Egypt's foreign trade in January 1946 by countries are not yet available.

9. Customs and Excise Tariff

No changes to report.

10. Cotton

Shipments of cotton continue to be small, only 34,000 bales having been exported during February. For the first half of the current season, exports were as follows compared with the corresponding period of 1944/45:-

1.9.1944 to 28.2.1945 Bales	Country	1.9.1945 to 27.2.1946 Bales	Inc.(+) or Dec. (-) in 1945/46 Bales
141,286	United Kingdom	77,008	- 64,278
60,594	India	37,834	- 22,760
1,595	Australia	2,865	+ 1,270
-	Belgium	1,700	+ 1,700
-	France	13,398	+ 13,398
111	Italy	2,650	+ 2,539
209	Palestine	1,632	+ 1,423
2,668	Portugal	1,505	- 1,163
-	Sweden	12	+ 12
-	Switzerland	14,259	+ 14,259
-	Syria	3,474	+ 3,474
-	U.S.A.	15,097	+ 15,097
-	Other countries	5,097	+ 5,097
206,463	TOTAL	176,531	- 29,932

11. Supply Matters

Under the terms of the Ministerial Order No. 633 of 1945, published in the French "Journal Officiel" No. 22 of the 25th February 1946, all fertilizers available in Egypt and all future arrivals remain subject to requisitioning by the Minister of Supplies.

Similarly, under Ministerial Order No. 609 of 1945 published at the same time, all agricultural machinery, tractors and spare parts in the Customs area and all future arrivals of such goods, are requisitioned by the Ministry of Supply, which has authority to distribute them.

12. Other Matters

The new Minister of Commerce and Industry has given an assurance that the existing draft Company Law has been shelved.

A Council for Tourism and Health Resorts has been formed under the presidency of the Minister of Commerce and Industry to study and report on all measures necessary for the development of tourist traffic in Egypt and the improvement of health and tourist centres.

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